

Message Text

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ACTION OES-07

INFO OCT-01 EA-10 NEA-10 ISO-00 EB-08 SOE-02 AID-05
CEA-01 CIAE-00 COME-00 DODE-00 DOE-11 H-01 INR-07
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E.O. 11652: N/A
TAGS: TECH, ENRG, ECRE, IR
SUBJ: JAPANESE CONSORTIUM WINS BID FOR
DESALINIZATION PLANTS, COMPLETE WITH
OIL BARTER FINANCING ARRANGEMENT

REF: 77 TEHRAN 10939

1. ALTHOUGH THE HEAD OF THE ATOMIC ENERGY ORGANIZATION
OF IRAN (AEOI) STATED TO THE PRESS THAT AEOI'S PURCHASE
OF TWO DESALINIZATION UNITS, WITH TOTAL DAILY PRODUCTION
OF 200,000 CUBIC METERS OF FRESH WATER, IS NOT "TECHNICALLY"
A BARTER DEAL, BOTH EMBASSY AND WESTINGHOUSE AGREE THAT
IT IS. FINANCING VIA BARTER FOR THE \$264 MILLION COST
OF THE PROJECT, WHICH IS DUE TO BE COMPLETED IN FOUR
YEARS, WAS ARRANGED BY THE JAPANESE CONSORTIUM LED BY
SASAKURA. JAPAN WILL PURCHASE IRANIAN CRUDE AT AN
UNSPECIFIED PRICE. THIS OIL BARTER IS EXPECTED TO COVER
THE ENTIRE COST OF THE PROJECT, ACCORDING TO WESTINGHOUSE.
CONSTRUCTION WILL START SOON ON THE TWO DESALINIZATION
PLANTS, TO BE LOCATED NEAR BUSHEHR, WHERE THEY WILL DRAW
ON THE HEAT PRODUCED BY TWO GERAN 1,200 MW NUCLEAR
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POWER PLANTS NOW UNDER CONSTRUCTION. THE CONTRACT,
SIGNED 4 JANUARY 1978, IS FIXED AT \$264 MILLION AND IS
SAID TO CONTAIN NO ESCALATION CLAUSE. (THIS WE DOUBT AT
LEAST WITH RESPECT TO FUTURE OIL PRICES). OIL LIFTINGS
WILL START LATER THIS YEAR, AND LAST THROUGH 1981. AT
TODAY'S PRICES ABOUT 22 MILLION BARRELS OF CRUDE WOULD
BE INVOLVED IF THE GOING RATE APPLIES (I.E., ASSUMING NO

DISCOUNTS). JAPANESE FIRMS INVOLVED ARE SASAKURA ENGINEERING CO., MITSUBISHI HEAVY INDUSTRIES, AND SUMITOMO SHOJI KIASHA CO. THEY HAVE AGREED TO PURCHASE PART OF MACHINERY AND EQUIPMENT NEEDS FROM GOI ENTITY INDUSTRIAL DEVELOPMENT AND RENOVATION ORGANIZATION (IDRO).

2. COMMENT: WESTINGHOUSE, WHO SUBMITTED BID OF 225 MILLION FOR PROJECT IN CONJUNCTION WITH IDRO, FEELS IT LOST CONTRACT BOTH BECAUSE IT DID NOT SUBMIT FINANCING PACKAGE (AND WAS NOT PREPARED TO GO THE OIL BARTER ROUTE) AND BECAUSE ITS BID WAS FOR THE STANDARD STEAM DESALINIZATION PROCESS RATHER THAN THE ACID TREATMENT PROCESS SUBMITTED BY THE JAPANESE CONSORTIUM AND REQUESTED BY AEOI. AEOI SELECTED THE ACID PROCESS APPARENTLY BECAUSE IT FEELS IT HAS NECESSARY CHEMICALS AVAILABLE LOCALLY.
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Message Attributes

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